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VIA ELECTRONIC FILING

The Honorable Jocelyn Boyd
Chief Clerk/Administrator
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29210

**RE: Request for Approval of Forbearance Agreement or in the
alternative, Acknowledge Consent of the Forbearance Agreement
Docket No. 2019-27-E**

Dear Ms. Boyd:

By letter dated February 12, 2019, filed in the above-referenced docket, the South Carolina Office of Regulatory Staff ("ORS") informed the Public Service Commission of South Carolina ("Commission") that ORS supports approval of the Forbearance Agreement between South Carolina Electric & Gas Company ("SCE&G" or "Company") and the South Carolina Public Service Authority ("Santee Cooper") but is recommending that the Commission "... should condition its approval." After discussing the Forbearance Agreement's potential impact on SCE&G's proposed tax treatment for the abandoned project, ORS ultimately opines that "[c]ustomers should be held harmless and the Company prohibited from seeking any adjustment in rates should the tax treatment proposed by the Company not be accepted by the IRS."

As the Commission considers SCE&G's request, it is important for the Commission to know that SCE&G did not enter into the Forbearance Agreement to assist the Company with its efforts to obtain favorable tax treatment from the IRS concerning the Company's abandonment of V.C. Summer Units 2 & 3. Instead, SCE&G entered into the Forbearance Agreement solely because Santee Cooper sought written assurance from the Company that SCE&G would not later claim an interest in the abandoned assets of the project. After much discussion with Santee Cooper, SCE&G agreed to enter into a Forbearance Agreement for Santee Cooper's benefit. If Santee Cooper had not raised this matter with SCE&G, then the Company would not have entered into the Forbearance Agreement. In short, SCE&G executed the Forbearance Agreement as a show of goodwill and not to bolster its claims with the IRS.

It is also important for the Commission to know that before SCE&G executed the Forbearance Agreement on December 13, 2018, the Company had already requested and received a private letter ruling from the IRS concerning the abandoned project. More specifically, by letter dated May 30, 2018, the Company requested that the IRS issue a ruling that the Company sustained an abandonment under IRS Code section 165. On November 30, 2018, the IRS issued a Private Letter Ruling holding that SCE&G had sustained an abandonment loss within the meaning of section 165 of the IRS Code. In anticipation of this ruling, SCE&G included the appropriate deduction on its 2017 income tax return.

In addition to providing the Commission with this additional information, the purpose of this letter is to inform the Commission that to the extent that SCE&G's abandonment tax deduction is disallowed customers will nonetheless receive all the benefits approved by the Commission in Order No. 2018-804. These benefits are already reflected in SCE&G's retail electric rates today and will remain there regardless of how the IRS responds to SCE&G's claimed deduction. Based on the foregoing, it is not necessary for the Commission to attach any conditions to its ruling in this matter.

If you have any questions or need additional information, please do not hesitate to contact us.

Very truly yours,



K. Chad Burgess

KCB/kms

cc: Jeffrey M. Nelson, Esquire
(via electronic and U.S. First-Class Mail)